REAL PROPERTY TAXATION IN THE PHILIPPINES: ISSUES AND RESEARCH DIRECTIONS

by

Cayetano W. Paderanga, Jr.

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I. INTRODUCTION

The role of local governments in economic development and the provision of public services has been highlighted in recent years as policymakers have increasingly recognized the effectivity of locally designed and implemented projects. An indication of this was the raising of the Department of Local Governments and Community Development to the level of a ministry soon after the New Society was set up in 1972. Inspite of this increased expectation, however, there has been a lag in the provision of resources to local governments as indicated by actual funds and expenditures.

Local Government Finances in Recent Years

An indication of the deficiency of resources for local government expenditures with those of the national government is shown in Table 1. As a result of new taxes and more efficient collection, it was possible for national government expenditures (in current pesos) to increase at an average of 25 percent per year. The corresponding figure for all local governments was only 16 1/2 percent per year. Thus, while central government expenditures was multiplied tenfold in current terms, local governments increased their expenditures only fivefold. And this was on a base where local government expenditures was less than one-fifth of total government expenditures. In per capita terms, while the national

Table 1

CENTRAL AND LOCAL GOVERNMENT EXPENDITURE GROWTH, SELECTED YEARS: 1969-78
(Millions of Pesos)

	Central Government Expenditures	Total Local Government Expenditures	Local Government Share of Total Central and Local Expenditures (in Percent)[b]	Central Government Grants to Local Governments	Grants as a Percent of Local Government Expenditures
1969	3,611	817	20.7	490	60.0
1971	4,429	1,033	21.1	558	54.0
1973	7,041	1,465	18.8	700	47.8
1975	20,168	2,202	10.2	863	39.1
1977	22,600	2,914	11.9	1,009	34.6
1978	27,110	3,237	11.0	1,049	32.4
1979[a]	34,380	3,781	10.3	1,474	39.0
Average annual Percent Change Between 1969 and 1978	25.1	16.5	-	8.8	

[a]Estimates.

[b]Grants are excluded from Central expenditures but included in local government expenditures.

Sources: Budget of the National Government for Fiscal Years 1969-75, President's Budget Message, calendar year 1976-79; Commission on Audit Report's on Local Government (1969-71), Ministry of Finance, (1972-1979) as reported in Daniel Holland, Michael Wasylenko and Roy Bahl, "An Evaluation of the Real Property Tax Administration Project," Local Revenue Administration Project, the Maxwell School, (Syracuse, NY: Syracuse University, October 1, 1980), Table 3, p. 16.

From: Bahl and Miller (1983), p. 4.

government has been able to maintain its real expenditure, local governments have suffered an erosion in expenditures (Table 2).

The Role of the Real Property Tax

To reverse the observed trends, local governments will have to look at local sources of revenue, if only because these are under its control.[1/] Local governments have depended heavily on national allotments and aid for their budgetary needs (Table 3). The reverse potential of the real property tax has not really been utilized to meet fund requirements and operational needs of local units. There is also a need to administer this fund more efficiently, it being the second most important revenue source of local governments. The enhancement of the real property tax could substantially lessen local government dependence on the national authority.

A feeling for the potential for local revenue enhancement from real property taxes is given by Table 4. Here real property taxes are shown as a percentage of the country's gross national product. On the average, property tax revenue was 0.341 percent. In contrast, property tax revenue averaged 3.96 percent in the United States during a similar period (Table 5). In the same vein, the share of property taxes out of total tax revenue of

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1/ However, several limitations on local government's taxing powers are found in the Real Property Tax Code (P.D. 464) and other laws.

Table 2

PER CAPITA GOVERNMENT EXPENDITURE GROWTH, SELECTED YEARS 1969-79
(Current and Constant 1972 Pesos)

	Local Governments		National Government	
Year	Current	Constant	Current	Constant
1969	44.35	67.20	101.2	138.6
1971	27.25	29.45	116.5	124.3
1973	36.43	31.27		
1975	52.34	31.36	397.2	238.3
1977	64.31	32.09	644.4	322.7
1979	78.51	31.36	891.6	358.5
Average Annual Percent Increase	5.9	(0.8)[a]		

Sources: Commission on Audit Reports on Local Government Expenditures (for 1969-71), Ministry of Finance Reports (1972-79).

Table 3

PERCENT DISTRIBUTION OF LOCAL GOVERNMENT REVENUE
1977-1981

Local Sources:			64.8
Revenue from Taxation		36.6	
Business Taxes	16.9		
Real Property Taxes	19.7		
Non-Tax Revenue		28.2	
Receipts from Public Enterprises	7.2		
Fees and Other Receipts	21.0		
Aids and Allotments			35.2
Internal Revenue Allotments		28.1	
National Aid		7.1	
Total			100.0%

Table 4

PROPERTY TAX REVENUE AND GNP FOR CY 1972-CY1980
(Philippines)

Year	Property Tax Revenue (in ₱ Million)	GNP in Purchaser's Value (in ₱ Million)	Property Tax as a Percentage of GNP
1972	199	55,526	.358%
1973	263	71,616	.367%
1974	307	99,631	.308%
1975	346	114,265	303%
1976	368	131,570	280%
1977	586	151,978	386%
1978	674	175,777	.383%
1979	799	215,059	.370%
1980	821	264,265	311%
Average	485	142,254	341%

Sources Ministry of Finance; Philippine National Income Series Nos 5 and 7

Table 5

PROPERTY TAX REVENUE AND GNP FOR CY 1972-1977
(United States)

Year	Property Tax Revenue (in $ Billion)	GNP (in $ Billion)	Property Tax as a Percentage of GNP
1972	50.603	1,185.9	4.27%
1973	53.527	1,326.4	4.04%
1974	56.329	1,439.2	3.93%
1975	59.506	1,549.2	3.84%
1976	66.012	1,718.0	3.84%
1977	73.023	1,918.0	3.81%
Average	59.83	1,521.95	3.96%

Sources: International Financial Statistics, 1980; State and Local Government Revenue: Government Finance, U.S. Department of Commerce, Bureau of Census.

local governments in the Philippines was 50 percent (Table 6). The corresponding figure for the United States was 84 percent While care should be taken in comparing a developing to a developed country, the differences are nevertheless indicative And since, the structure of real property taxes here follow closely that of the United States, the discrepancies do give a measure--no matter how rough--of what could still be done regarding property taxation

Several authors have already noted the differences between the tax-GNP ratios of developed and less developed countries [2/] The lower ratio could signify a lower tax effort The enhancement of tax effort is probably a prior consideration to increases in the real property tax rates Yoingco and Quintos (1979) provide information showing that Philippine property tax rates are not very different from the rest of the ASEAN countries Besides, an increase in taxes tends to reduce the flow of goods as well as disposable income (Higgins, 1959) Perhaps, the best argument for better enforcement is that it will reduce the inequities that are spawned by improper collection

Greater attention needs to be given to the real property tax Improvements in this area, will be felt in a higher level of public services with decisions being made closer to where these are to be delivered

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[2/] For example, Musgrave, Richard A and Peggy B Musgrave, Public Finance in Theory and Practice (New York: McGraw-Hill, 1973), p 747

Table 6

PROPERTY TAX REVENUES AND TOTAL TAX REVENUES OF LOCAL GOVERNMENTS, 1972-1980

Year	Property Tax Revenue (in ₹ Million)	Total Tax Revenue (in ₹ Million)	Property Tax as a Percentage of Total Tax Revenue
1972	199	377	52.8%
1973	263	533	49.3%
1974	307	692	44.4%
1975	346	775	44.6%
1976	368	799	46.1%
1977	586	1,090	53.8%
1978	674	1,289	52.3%
1979	799	1,537	52.0%
1980	821	1,565	52.5%
Average	485	962	50.4%

Source: Computed from Table 4.

II. THE REAL PROPERTY TAX: DESCRIPTION AND ANALYSIS

A. Description

The real property tax is an ad valorem tax on property, i.e. it is a tax based upon the assessed value of the property. It is imposed on all real property including land, buildings, machinery and other improvements attached or affixed to real property.

The laws that govern real property taxes of the present system is embodied in the Real Property Tax Code which was enacted as P.D. No. 464, promulgated on May 20, 1974. The Code governs the appraisal and assessment of real property for purposes of taxation by provinces, cities, and municipalities, as well as the levy, collection and administration of the real property tax.[3/]

1. Classification of Real Property

Real property is classified into residential, agricultural, commercial and industrial, and also as mineral in the case of lands. The classification of real property serves two purposes, to facilitate mass appraisal work and to effect a tax differential or to have a differential tax treatment in consideration of the sharing of the tax burden. Mass appraisal work is needed because

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[3/] Sec. 1, Real Property Tax Code.

individual treatment of each and every parcel of land or any improvement entails a lot of time, effort and money. Even a highly developed country like the United States resorts to mass appraisal.

2. Actual Basis of Assessment

Section 19 of the Real Property Tax Code states that real property shall be assessed on the basis of its actual use regardless of where located and whoever uses it. "Actual use" refers to the purpose for which the property is principally or predominantly utilized by the person in possession of the property.[4/] It is the determining factor in applying the appropriate assessment level to the market value of the property. Thus, if property is classified and valued as commercial land but the actual use thereof is residential because the principal or predominant use of the building thereon is residential, the assessment level for residential land shall be applied to the market value of property classified and valued as commercial in accordance with the schedule of base market values for commercial land.[5/]

[4/] Sec. 19, 3(a), Ibid.

[5/] Assessment Regulations no. 8-75, June 10, 1975, p. 51.

3. Some Important Definitions

To avoid confusion, a few concrete definitions are given:

(1) Assessment is the act or process of determining the value of a property or a proportion thereof, subject to the tax, including the discovery, listing and appraisal of properties.[6/]

(2) Assessment level is the percentage applied to the market value to determine the taxable or assessed value of the property.[7/]

(3) Market value means the price at which a willing seller would sell and a willing buyer would buy neither being under abnormal pressure.[8/]

(4) Assessed value is the value placed on taxable property by the assessor for ad valorem tax purposes. It is synonymous to "taxable value".[9/]

(5) Ad valorem tax is a levy on real property determined on the basis of a fixed proportion of the value of the real property.[10/]

[6/] Sec. 3 (e), P.D. No. 921.

[7/] Sec. 3 (f), Ibid.

[8/] Sec. 3 (n), Ibid.

[9/] Sec. 3 (g), Ibid.

[10/] Sec. 3 (b), Ibid.

4. Assessment Level of Real Property

The assessment levels of real property are as follows:[11/]

(1) For Lands:

(a)	Residential	30 percent
(b)	Commercial and Industrial	50 percent
(c)	Agricultural	40 percent
(d)	Mineral	50 percent
(e)	Timber and Forest	40 percent

(2) For Machineries:

(a)	Residential	70 percent
(b)	Commercial and Industrial	80 percent
(c)	Agricultural	60 percent
(d)	Mineral	-
(e)	Timber and Forest	-

(3) For Buildings and Other Improvements:

Market Value	Residential (In Percent)	Commercial/ Industrial (In Percent)	Agricultural (In Percent)
₱30,000 or less	15	50	40
More than ₱30,000 but not exceeding ₱50,000	20	55	45

[11/] Sec. 20, Real Property Tax Code as amended by P.D. No. 1383.

Market Value	Residential (In Percent)	Commercial/ Industrial (In Percent)	Agricultural (In Percent)
More than ₱50,000 but not exceeding ₱75,000	25	60	50
More than ₱75,000 but not exceeding ₱125,000	35	65	55
More than ₱125,000 but not exceeding ₱175,000	45	70	60
More than ₱175,000 but not exceeding ₱250,000	55	75	65
More than ₱250,000 but not exceeding ₱350,000	65	80	70
More than ₱350,000 but not exceeding ₱500,000	75	80	75
More than ₱500,000	80	80	80

(4) For Special Classes of Real Property:

(a) Used for educational, cultural or scientific purposes--15 percent of their market value;

(b) Used for recreational purposes--15 percent of their market value

5 Rates of the Tax

The provincial, city or municipal board or council shall fix a uniform rate of real property tax applicable to their respective localities as follows:

(a) In the case of a province--the tax shall be fixed by ordinance of the provincial board at the rate of not less than 1/4 of 1 percent but not more than 1/2 of 1 percent of the assessed value of real property

(b) In the case of a city--the tax shall be fixed by ordinance of the municipal board or city council at the rate of not less than 1/2 of 1 percent but not more than 2 percent of the assessed value of real property [12/]

In the case of the Metropolitan Manila Commission, the tax which may be imposed shall not be less than 1/4 of 1 percent nor more than 1 1/2 of the assessed value of real property [13/]

6 Computation of the Tax

The amount of the real property tax due will be arrived at after applying the appropriate assessment level and the tax rate As an example, the formula for determining the tax due on buildings used exclusively for residential purpose is illustrated

Market value (e g. ₱80,000)

x Multiplied by: Assessment level (35 percent)
Assessed value (₱28,000)

x Multiplied by: Tax rate (e.g 2 0 percent)
Amount of real property tax due (₱560)

12/ Sec 93, par 1, Real Property Tax Code

13/ P D No 921

The assessment of real property involves the computation of the tax due, the giving of a notice to that effect to the taxpayer, and the making, simultaneously or subsequent to the giving of notice, of a demand upon him for the payment of the tax or deficiency stated

7 Collection Process

P D No 464 provides that the treasurer is primarily and largely responsible for the collection of the tax, the assessor being largely confined to assessment work The Code states that "It shall be the responsibility of the treasurer of the province, city or municipality to collect the real property tax as levied pursuant to Secs 38, 39, 42, 47, and 55 in the Code and the special levy imposed under R A No 5447 (Sec 41 of the Code) and other laws and decrees, upon real property in their locality not otherwise exempt Said treasurers shall also be responsible in enforcing the remedies hereinafter provides or by any applicable laws "14/

The legal remedies to collect delinquent taxes may be resorted to by the treasurer simultaneously Under the Real Property Tax Code, the collection of delinquent real property taxes may be enforced administratively and/or judicially . The administrative

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14/ Assessment Regulations 8-75, p 119

remedies which are summary in nature: (1) distraint and sale of personal property, and (2) sale of real property at public auction, exercised by the city or provincial treasurers or their deputies. The judicial remedy is availed of in the courts of competent jurisdiction.[15]

8. Date of Accrual

The real property tax for any year becomes due and payable on the first day of January of that year and the tax and penaltires subsequently accruing to it shall constitute a lien upon the property subject to such tax. This lien shall be superior to all other liens, mortgages, or encumbrances of any kind whatsoever; shall be enforceable against the property whether in the possession of the delinquent or any subsequent owner or possessor, shall be removable only by the payment of delinquent taxes and penalties.[16]

9. Special Levies on Real Property

Aside from the tax itself, there are also special levies on real property. The Real Property Tax Code authorizes the imposition and collection of the following:

(a) 1 percent annual realty tax to accrue to the Special Education Fund created under Republic Act No. 5447.[17]

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[15] Ibid., p. 127.

[16] Sec. 56, P.D. No. 464.

[17] Sec. 41, Ibid.

(b) Ad valorem tax on idle lands at the rate of 5 percent per annum based on the assessed value of the property as determined by the provincial or city assessor of the province or city where the property is located, or by the municipal assessor in the case of idle lands situated in the municipalities of Metropolitan Manila.[18/] Lands considered as "idle" are as follows:[19/]

(1) Agricultural lands suitable for cultivation, dairying, inland fishery and other agricultural uses, one-half of which remain uncultivated or unimproved.

(2) Land other than agricultural, located in a city or municipality, more than 2,000 square meters in area, one-half of which remain unutilized or unimproved.

(c) A special levy on lands especially benefited by public improvements financed by local governments not exceeding 60 percent of the costs of said improvements or infrastructures. The provincial, city or municipal boards or councils may, by ordinance, provide for the imposition and collection of this levy on lands comprised within the district benefited, except lands exempt from the real property tax.[20/] Real property exempt from the tax are as follows:[21/]

[18/] Sec. 42, Ibid.

[19/] Sec. 43, Ibid., as amended by P.D. No. 1446.

[20/] Sec. 47, Ibid.

[21/] Sec. 40, Ibid.

(1) Real property owned by the Republic of the Philippines or any of its political subdivisions and any government-owned corporation so exempt by its charter. This exemption, however, shall not apply to real property of the above-named entities the benefit of which has been granted, for consideration or otherwise, to a taxable person;

(2) Non-profit cemeteries or burial grounds;

(3) Charitable institutions, churches, personages or convents appurtenant thereto, mosques, and all lands, buildings, and improvements actually, directly and exclusively used for religious or charitable purposes;

(4) Real property in any one city or municipality belonging to a single owner the entire assessed valuation of which is not in excess of ₱1,000;

(5) Land acquired from the public domain for conversion into dairy farms for a period of five years from the time of such conversion; and machinery of a pioneer and preferred industry as certified by the Board of Investments operated for industrial, agricultural, manufacturing or mining purposes, during first three years of the operation of the machinery;

(6) Perennial trees and plants of economic value, except where the land upon which they grow is planted principally to such growth;

(7) Pasture and/or grazing land acquired by grant, purchase, or lease from the public domain actually used for livestock production for a period of five years beginning with calendar year 1977, and for acquisition made thereafter, the exemption shall begin with the year of such acquisition; and

(8) Real property exempt under other laws. Non-stock or non-profit educational institutions owning real property, the total assessed value of which does not exceed ₱30,000, as well as Educational Foundations (organized under R.A. No. 6055) are also exempt.[22/]

(d) Special levy on lands especially benefited by public works projects financed by the national government not exceeding 60 percent of the cost thereof. The Minister of Finance may, by Ministry Order issue for the purpose, provide for the imposition and collection of this special levy.[23/]

Some Analytical Considerations

Review of Literature

The standards that may be used to assess the real property tax flow from the same criteria imposed on all other policies.

[22/] Sec. 93, Ibid.

[23/] Sec. 55, Ibid.

For a less developed country (LDC) like the Philippines, the objective of growth is explicitly added to the three fundamental criteria: allocative efficiency; distributive equity; and economic stability.

(a) allocative efficiency -- This encompasses the best use of our country's resources among industries and between consumption and saving. Included here would be questions about the choice between real property development and other uses and the optimal timing of land development, as well as optimal land use.

(b) distributive equity -- This criterion is often expressed in the public finance literature as the problem of incidence of public revenue and expenditure.

(c) stability -- This refers to an economy's ability to withstand and adjust to disequilibrating shocks. For public finance, this criterion is often manifested through the interest in flexibility of government revenue and expenditure and in automatic stabilizing mechanisms. This criterion does not seem to be important for real property taxes.

(d) Growth -- The extra importance that the country places on growth as an objective explains its explicit consideration though this is already subsumed under the three previous objectives.

(e) Ease of collection and administration.

In the literature that is reviewed below, these criteria will be present in varying degrees of emphasis. However, it is probably safe to say that most economic studies of the real property tax have equity (tax incidence) as the major consideration.

The main traditions in the literature on the real property tax flow from two sources: the economists working on different aspects of various taxes and tax administrators who work on the economic implications of taxes in relation to the whole problem of collecting and administering taxes. Other aspects which these administrators are interested in are the legal ramification of various tax designs and costs of administering different tax packages.

Economic Aspects

Most of the literature on the economic aspects of the real property tax are preoccupied with the incidence of the tax and, therefore, the equity consideration. The question of allocative efficiency enter the discussions primarily because the final payor of the tax depends on how much of the tax can be shifted through adjustments in prices and quantities. The latter question in turn depends on the different supply, demand and substitution elasticities. Shifting of taxes, therefore, implies rearrangements in resource allocation. Most of the studies, however, treat this

question as only incidental to the problem of tax incidence Especially in the case of an LDC, the problem of allocation is of paramount importance because it often affects the time pattern of investments This aspect is heightened in the case of real property taxes

The studies on the incidence of real property taxes can be divided roughly into main schools, the traditional" and the "new" views, with some articles trying to forge an integrated approach */ In 1966, the conventional wisdom was summarized in an extensive work by Netzer (1966) Aaron (1975) did a similar job for the new view The 1966 or traditional" view concluded that the property tax would be divided into that imposed on land (site value) and that imposed on improvements The tax on site values would be paid by the landowners through lowered asset values ("capitalized"), while that on improvements would be passed on to consumers of the final product The new view concludes that the tax is borne by owners of property (land and improvements) According to this view, the main effect of the property tax is to reduce the rate of return on capital--both reproducible and nonreproducible Thus the current owners of all capital bear the tax in the form of a reduced income in their assets

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*/ See for example Blake (1979) who presents a very lucid summary of the two views This distillation is largely based on his article

The Traditional View

The traditional view is based on the notion that the supply of land is absolutely fixed but that the supply of reproducible capital is not. With the land supply fixed, the landowners can not escape the tax burden of the land portion of real property. However, the tax portion on improvements to real property (reproducible capital) can be shifted by the landowner onto the consumer of the real property services or products. The argument for this forward shifting is that reproducible capital is competitively supplied and therefore priced at (minimum) long-run average cost. The application of the property tax, which is an ad valorem tax on capital, would increase the supply price of the reproducible capital in an excise-tax fashion since that capital would not be produced and supplied at a loss. Therefore, the portion of the tax levied on improvements would be passed forward onto the occupant or the consumer of the services or products. This view thus saw the landowner as bearing the burden of the tax on the land portion of real property (through negative capitalization), while the portion of the tax on improvements was passed forward to the (current) ultimate users of the property.

The New View

The new view, as detailed here, is distilled mainly from the work of Aaron (1975) who singles out Mieszkowski (1967, 1972) as particularly influential in the development of this perspective. Mieszkowski

> analyzed the incidence of property taxes in the tradition of Harberger s seminal work (1962) on the incidence of the corporate income tax
>
> The new view approaches the property tax incidence question by initially viewing the property tax as if it were a single ad valorem tax on all capital That single tax rate is applied uniformly over industries and space in a closed economy in which the supply of capital is perfectly inelastic The results of this analysis are then adjusted to allow for some elasticity in the supply of capital and to allow for geographical and industrial differences in property tax rates (Aaron 1975, p 38)

General Conclusion

> In a closed economy in which the supply of capital is perfectly inelastic, the application of an ad valorem tax on all capital will simply cause the rate of return on capital to fall, because in such an economy the returns to capital are pure rents /The suppliers are assumed unable to shift their assets to an untaxed occupation and unwilling to restrict their supplies in response to the tax/ The lower rate of return is the incidence of the uniform tax on capital The new view theorists assume that these results hold for the property tax; that is, a single tax rate applied to all real property would simply reduce the rate of return on all property

> (Aaron 1975, pp 38-39) Note that in this case asset prices are unaffected--there is no negative capitalization effect on any asset If the rate of return is reduced from 10 percent to 8 percent by a two percent real property tax, the asset which was priced at $100 and yielded a $10 annual payment now yields a net $8 annual return With the new discount rate the price of that asset remains $100. It is also worth noting that this tax is paid by the current owners of the real property regardless of when the tax was originally levied

As summarized above, the main assumption is that the supply of capital is fixed The same view recognizes that to the extent that the closed economy's supply is elastic, some of the tax burden may be shifted Thus, through a reduction in the supply of capital (investment or new capital), wage rates throughout the economy may be reduced Where there are variations in the effective tax rates of different jurisdictions, the differentials have the same effects as excise taxes Goods produced in different jurisdictions would be treated as different products and the differentials would have the effect on excise taxes

The main difference between the two views is the assumption on how elastic the supply of reproducible capital is. The old view assumes capital to be infinitely elastic while the new view assumes that capital for the whole economy is fixed. These differences are illustrated in figures (1a) and (1b) Under the old view (1a) owners

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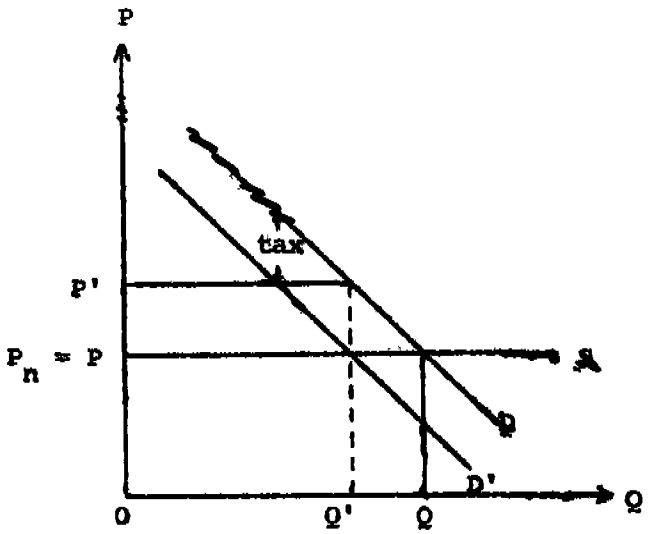
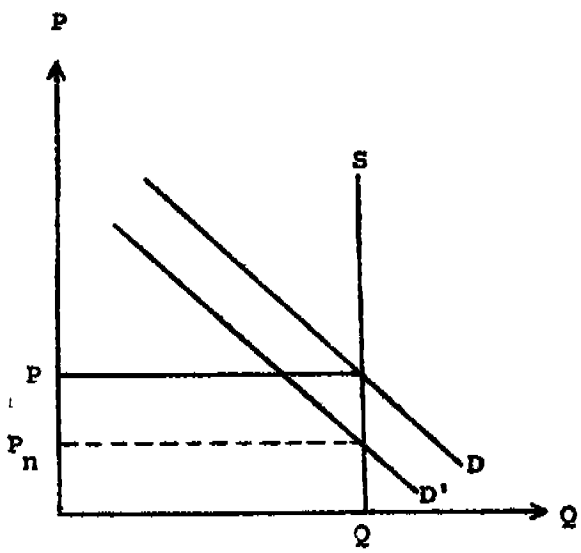
* Daniel R Blake, "Property Tax Incidence: An Alternative View," Land Economics Vol LX, No. 4 (November 1979) 521-31



(a) Traditional View



(b) New View

Figure 1

SUPPLY AND DEMAND FOR REPRODUCIBLE CAPITAL

of capital can reduce their supply from Q to Q' in order to preserve their aftertax price, $p_n = p$. As a result, market price rises to p'. In the new view, (1b), owners of capital throughout the economy have their supply fixed at Q. As a result, market price remains at p and after tax price decreases to $p_n < p$. Empirical estimates of the actual supply elasticity of reproducible capital would therefore considerably clear up the issue. What is often glossed over, however, is the allocative effects that are imbedded in the problem. If the old view prevails then the savings-consumption decision is affected by the real property tax considering that plant and buildings constitute a major portion of capital stock and investment. (Sanchez, 1982). More will be said on this matter in the section on future research.

The Administrative

The other large body of literature on real property taxes emanate from those studying the collection and administration of taxes. The emphasis in these studies is on the legality, equity and efficiency of methods and procedures. The explicitly economic aspects (allocative efficiency) of taxes arise as a by-product of these interests. (See for example some of the articles in Lynn (1976) and Maxwell and Aronson (1977).) Among the topics of specific interest are: efficiency and costs of administration; quality of assessments and assessors; tools of real property taxation, like tax maps and the administrative implications of the tax laws.

Most of the studies on the Philippine real property tax system is of this type

2 Philippine Sources

A relative few have written about real property taxation in the Philippines although the volume of work in this area has been increasing in recent years Most of the articles tend to be descriptive with some analytical inferences drawn from the description Up to now, most articles have concentrated on property tax administration and its problems Four groups have been the main centers of this research

National Tax Rsearch Center

One of the pioneers in the study of real property taxation has been Yoingco who wrote on the topic as early as 1953 This early piece has been superseded by Yoingco and Quintos (1979) The latter work is essentially a description of tax laws prevailing in the New Society, including the rationale for the taxes and the methods of collection Other staff members of the National Tax Research Center of the Philippines (NTRC) have also worked on the topic Cirujales (1982) wrote a generally enlightening introduction of property taxation The articles emphasized the legal and administrative bases of the tax Guevara (1981) on the other hand analyzed the causes and consequences of real property tax delinquency in the Philippines The studies have been substantially used in the description of real property taxation undertaken in this paper

University of the Philippines Law Center

The U.P. Law Center also undertook a similar study on Tax Laws under the New Society (U.P. Law Center, 1975). Two articles in the volume by Flores and Tiambeng undertook a task quite similar to that done by Cirujales and Guevara of NTRC. Again, analytical inferences are also drawn from descriptions of the system. No empirical work is resorted to so the results remain indicative instead of giving specific magnitudes.

Syracuse University Study Group

At the turn of the decade, the United States Agency for International Development commissioned a group from the Maxwell School of Citizenship and Public Affairs, Syracuse University to do a study of local government finance in the Philippines. The terms of agreement requested that the study be responsive to the needs of the Philippine government in pursuing specific research topics and in identifying policy issues. As part of its study, the group used data from the 1975 Integrated Census of the Population and its Economic Activities as well as data from surveys and the Commission on Audit on all cities outside of Metro Manila and selected municipalities from four provinces. The result has been an impressive review of the local finance picture with tentative empirical results and implications for policymaking (Bahl (ed.), 1983). It would, perhaps, be good to get hold of the raw data used in the study so that subsequent

phases of the present research effort will extend rather than duplicate this previous work.

The volume devotes one chapter to the real property tax (by Bahl and Schroeder). After an initial discussion of the tax rates and assessment methods, it discusses the empirical findings on the real property tax. In summary the study found that the structure of the real property tax in the Philippines is sound and the quality of assessors and assessment practice is impressive compared to other developing countries. However, the revenue performance has suffered from a poor record of enforcement. The data show that there was little growth in per capita real property tax revenues during the seventies (Table 7. Note this is Table 2.5 of Bahl.). There was also wide variation in real property tax per capita and per assessed value of property showing that substantial gains in tax yield is possible with uniform enforcement.

Business Research Foundation

The Business Research Foundation (BRF) of the College of Business Administration of the University of the Philippines has been commissioned by the United States Agency for International Development to study the real property tax administration of the country in order to come up with changes that will enhance the yield of the real property tax. The study is still on-going and only a preliminary report is available.

Table 7

PER CAPITA PROPERTY TAX REVENUES
1969-79

Year	In Current Pesos		In Constant Pesos	
	Amount	Percent Increase	Amount	Percent Increase
1969	6.07		9.20	
1970	4.97	(19)	6.56	(29)
1971	4.29	(14)	4.65	(30)
1972	5.10	19	5.10	10
1973	6.54	29	5.62	11
1974	7.41	14	4.74	(16)
1975	8.23	11	4.94	5
1976	8.37	2	4.60	(7)
1977	12.94	55	6.46	41
1978	14.44	12	6.72	4
1979	16.61	15	6.63	(2)

Source: Roy Bahl and Barbara D. Miller (eds.), Local Government Finance in the Third World (New York: Praeger Publishers, 1983), p. 69.

The study included case analyses of two Real Property Tax Administration (RPTA) tax-mapping projects: those in Plaridel, Bulacan and Tabaco, Albay. A benefit-cost analysis was made for the tax-mapping. The method involved estimating the cash revenues of the local government after the RPTA tax mapping project and comparing this with the municipality's cash revenues had the project not been undertaken. Quantitative indicators showed that the project resulted in substantial benefits to local governments. Various benefit-cost measures indicated that the cash revenue increase to Plaridel, Bulacan was from five (5) to ten (10) times the estimated costs of the tax mapping project. For Tabaco, Albay, the benefits was from 2.5 to 3 times the project costs. The variability in the estimates was only due to different assumptions about the cost of funds used in the project. The direct, quantifiable benefits of tax mapping projects alone seem to justify the project expenditures.

3. Preliminary Analysis of Incidence and Allocative Effects

In the short-run, the incidence of the real property tax falls on the owners of real property since the capital invested is immobile. Moreover, the burden is on the owners who held the property at the time the tax was imposed. They cannot shake off the burden by selling the taxed asset.

To illustrate this, assume that the rate of return on an asset before tax is 10 percent, so that a property yielding ₱3,000

per year is worth ₱30,000. Now suppose that a tax of ₱300.00 is imposed on the property, then net income is reduced to ₱2,700 which capitalized at 10 percent, lowers the property value to ₱27,000. If the initial owner of the property wishes to sell it, he or she must absorb the tax loss, since the buyer will want to obtain a net return of 10 percent, similar to that available from an investment elsewhere. The burden of the tax thus falls on the owner of the property prior to the imposition of the tax. Subsequent owners who purchase the old asset will do so at a lower price only and are not burdened by the tax. The loss has been capitalized and stays with the initial owner.[24/]

The reduced value of real property due to taxes may, however, be neutralized or even increased by allowing for the benefits from public services which the revenue may provide. The provision of additional public services like the construction of roads and highways may raise the value of real property and even attract capital inflow.

In the long run, shifting of the tax is possible with the exclusion of owner-occupied residences (where owner and consumer coincide) and owners of idle land. The tax burden remain with them. They suffer a permanent loss equal to their share in the tax.

[24/] Richard A. Musgrave and Peggy B. Musgrave, Public Finance in Theory and Practice (New York: McGraw-Hill Co., 1973), p. 432.

With respect to tenant-occupied residential property, commercial, agricultural and industrial property, it is possible to shift the burden of the tax in the form of higher rents and higher prices for farm products and manufactured goods, if the traditional view is maintained. The new view maintains the opposite belief.

In the long-run, capital invested in improvements will flee from the sectors which are highly taxed and move to where taxes are lower. Maintenance expenditures on old assets will be reduced and new investment in the high-tax sector will decline. As the capital stock in the high-tax sector falls while that in the low-tax sector rises, the gross rate of return on capital in the former goes up while the gross rate of return in the latter declines due to an increase in competition. This movement will continue until the net rates of return from investment in both sectors are equal. The process ceases when net returns in various sectors are equalized. A tax imposed on one sector of the economy comes to be shared by owners of capital at large.

At first, it may be concluded that the real property tax burden distribution is progressive since income from ownership of property is more important to high-income than to low-income groups. However, it may also be regressive since it may be shifted forward to final consumers of business services and occupants of housing.

Thus, property values may increase or decrease and the tax burden be progressive or regressive with the imposition of real property taxes, depending on the counterbalancing of the tax and benefit effect and on the kinds of real property taxed.

III. CONCLUSIONS AND SUGGESTIONS FOR FUTURE RESEARCH

A. Lessons from Past Philippine Research

Some of the major issues in real property taxes have been pointed in the literature reviewed. For example, the following points may be raised:

(1) Different levels of assessment are used depending on the type of use. (See Section II A.4.) The direct effect of this is to retard the conversion of real property from some uses to others. (e.g. from agricultural to commercial property). This may be justified on the basis of society's preference for some uses over others. However, there may be doubt whether there really is such a conscious preference, or whether the economic ramifications of such preference have been adequately considered.

The other effect of the differing assessment levels is to distort the combination of reproducible capital (buildings and machinery) and land away from the former. While this result may be desired at times, one wonders whether a blanket bias through the real property tax is warranted or even intended. These retardations and "distortions" are often compounded by the second feature mentioned below.

(2) The standard of "actual use" instead of "best use" for purposes of assessment of real property may artificially prolong the

devotion of real property to one use even if conditions warrant its transformation to a better use. This is so, because the retention of the assessed value based on actual use does not incorporate the value of the land if it were devoted to a better purpose. The use of a higher assessed value (best use) would have forced the owner to shift or sell the property to somebody who can use it better through the increase in land value (to reflect the best use). Thus, this feature may have the effect of retarding the socially optimal shift.

(3) Other issues pinpointed in the Philippine sources pertain mostly to administration.

(i) The presence of numerous special levies with funds earmarked for specific purposes which erodes the taxing capacity of local governments.

(ii) The absence of adequate tools of the tax assessor like tax maps, lack of training of assessors and the confusion surrounding jurisdictions and questions of ownership (which is being remedied through the RPTA project).

The studies of Bahl and Schroeder (1983) and the Business Research Foundation (1983) have shown that a substantial improvement can be generated through increases in tax administration efficiency. It is expected that succeeding research stages in administrative aspects will follow from the present studies.

B. Suggestions for Future Research

The suggestions for further research follow very naturally from the review of literature. The debate on tax incidence already incorporate the questions that need to be asked regarding allocation and therefore growth. These involve the quantitative magnitudes of parameters which determine the extent of shifting. The differences between the traditional view and the new view, for example, boil down basically to whether the supply of capital is elastic. A fuller discussion of the economic effects of the real property tax would require various other empirical estimates. To illustrate this, consider the final tax burden on capital when a tax is imposed on the profits of one industry (X) in a two commodity world (Y is the other product). The approach used here (Mieszkowski, 1967) is general rather than partial equilibrium analysis although the conditions are much more simplified. Here, we examine the effects of a tax on the profits in Y on the price of capital throughout the economy.

$$dp_K = \frac{[Ef_K(K_X/K_Y - L_X/L_Y) + S_X(f_L K_X/K_Y + f_K L_X/L_Y)]T_{XK}}{E(g_K - f_K)(K_X/K_Y - L_X/L_Y) - S_Y - S_X(f_L K_X/K_Y + f_K L_X/L_Y)}$$

where E is the price elasticity of demand for X; K_X, K_Y, L_X, L_Y are the original amounts of capital and labor employed in industries X and Y, respectively; S_X and S_Y are the elasticities of substitution between labor and capital, respectively, in industries X and Y; f_L, f_K are the initial share of labor and capital, respectively, in the total cost of producing X; g_K is the share

of capital in Y_i and T_{xx} is a tax on capital earning in X expressed as a per unit tax.

The scope for research in the immediate future may, therefore, be envisioned in two phases.

Phase 1. Empirical estimates

(a) factor intensities of different industries -- for a simple start, we aggregate directly affected industries into residential housing and other real property

(b) elasticities of substitution in production of the affected commodities

(c) elasticities of supply

(d) elasticities of demand

(e) lags in adjustment

Phase 2. Implications of coefficients

The coefficients can then be used in a simulation model to answer questions on:

(i) the incidence of the property tax and its effect on equity.

(ii) land development.

(iii) capital intensity of production, and other topics.

B. Other Topics

Special topics pertaining to the property tax may also be taken up. For example the tax on idle lands is often praised because it is widely believed to hasten the productive use of land. But land can also be developed too early and whether it should be developed earlier or later than the market would depend on attendant circumstances (e.g. see Mills (1980)). These circumstances would depend upon the types of externalities that prevail.

It seems obvious that several more topics can be suggested. However, the centrality and importance of the suggested topics argue for attention to them in the succeeding phases of research.

Appendix Table 1

STATEMENT OF INCOME AND EXPENDITURES OF LOCAL GOVERNMENTS
Calendar Years 1970-85
(In Million Pesos)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	Preliminary Estimates 1982	1983	1984	1985
INCOME																
Local Source	744	854	655	870	1155	1350	1399	1980	2230	2525	2778	3454	3821	4219	4642	5108
Revenue from taxation	544	641	377	533	692	775	799	1090	1289	1537	1565	1848	2037	2224	2395	2603
Business taxes	372	478	178	270	385	429	431	504	615	738	744	780	849	908	950	1002
Real property taxes	172	163	199	263	307	346	368	586	674	799	821	1068	1188	1316	1445	1601
Non-tax revenue	200	213	278	337	463	575	600	890	941	988	1213	1606	1784	1995	2247	2505
Receipts from eco. enterprises	146	157	99	112	125	154	171	230	242	254	274	433	484	545	618	704
Fees, charges & other receipts	54	56	179	225	338	421	429	660	699	734	939	1173	1300	1450	1629	1801
Aids and Allotments	299	330	724	700	727	863	935	1009	1048	1474	1533	1978	2220	2513	2773	3083
Internal revenue and spec. allotment	199	220	614	575	554	630	675	771	774	1186	1238	1650	1870	2144	2384	2670
National aids	100	110	110	125	173	233	260	238	274	288	295	328	350	369	389	413
Total Income	1043	1184	1379	1570	1882	2213	2334	2989	3278	3999	4311	5432	6041	6732	7415	8191
EXPENDITURES																
Current Expenditures	912	1061	1159	1290	1471	1881	2027	2528	2847	3332	3649	4419	4892	5403	5921	6489
General government	301	371	340	382	407	447	483	597	687	824	916	1315	1495	1697	1915	2165
Public welfare & internal safety	310	347	406	458	491	539	616	722	758	872	718	859	893	927	941	997
Economic development	184	214	237	249	336	395	384	497	655	852	982	829	912	976	1007	1013
Other charges	117	129	176	201	237	500	544	712	747	784	1033	1416	1592	1803	2058	2314
Capital Outlays	68	85	155	175	243	321	361	386	390	449	532	659	727	811	901	993
Total Expenditures	980	1146	1314	1465	1714	2202	2388	2914	3237	3781	4181	5078	5619	6214	6822	7482

Source of Data: Budget Operation Statements.

Appendix Table 2

CONSOLIDATED INCOME AND EXPENDITURES OF CITIES BY REGION
Calendar Year 1981
(In Thousand Pesos)

	R-I	R-III	R-IV	R-V	R-VI	R-VII	R-VIII	R-IX	R-X	R-XI	R-XII	Total
INCOME												
1. Real Property Tax	19,872	11,131	17,331	4,628	41,343	31,486	6,139	5,319	10,243	19,345	8,631	175,468
2. Local Taxes	12,322	15,321	11,488	5,911	29,818	37,358	4,974	4,951	20,766	28,280	10,724	181,913
3. Operating & Service Income	4,801	3,279	1,822	1,488	5,578	4,549	1,164	7,521	2,700	4,196	1,163	38,261
4. Government Business Operations	8,571	48,490	15,831	3,245	9,171	11,963	3,737	4,113	9,272	5,092	4,878	124,363
5. BIR Allotments	21,134	29,612	52,816	12,102	71,756	65,219	22,094	33,270	47,526	48,245	19,015	422,789
6. Loans and Borrowings	-	531	7,868	168	10,290	72,032	-	2,209	2,568	1,123	404	97,193
7. National Aids	3,373	5,214	5,941	4,510	3,402	14,477	92	92	4,865	1,553	101	43,620
8. Others	9,148	7,584	6,501	2,558	13,584	25,146	2,866	6,505	9,468	10,169	6,122	99,651
Total Income	79,221	121,162	119,598	34,610	184,942	262,230	41,066	63,980	107,408	118,003	51,038	1,183,258
EXPENDITURES												
1. General Administration	13,680	8,973	12,203	6,186	21,166	30,627	4,309	6,756	9,546	10,137	4,788	[illegible]
2. Government Finance	5,637	5,457	8,578	3,395	13,166	9,537	3,030	5,675	10,548	6,399	4,504	75,926
3. Adjudication	1,911	2,108	1,798	970	3,286	4,921	584	755	2,449	3,464	74[illegible]	22,987
4. Protective Service	4,942	7,860	6,178	1,405	9,040	14,356	3,23[illegible]	1,829	7,828	2,626	2,07[illegible]	61,369
5. Social Improvement	7,284	3,616	5,628	751	31,592	7,973	5,285	6,012	6,860	20,[illegible]	4,6[illegible]	99,840
6. Economic Development	12,465	16,687	20,213	10,583	25,633	31,629	7,234	7,424	17,730	[illegible]48	10,[illegible]22	174,668
7. Operation of Eco. Enterprises	3,860	46,546	13,317	2,338	6,605	11,962	2,002	1,014	1,5[illegible]	2,[illegible]	1,526	[illegible]
8. Inter-Government Aids	5,863	5,144	7,003	3,231	16,632	18,234	2,564	4,007	6,[illegible]	1[illegible],450	5,910	88,928
9. Loans, Advances and Transfer	4,234	2,758	7,900	1,431	11,371	39,971	1,121	3,769	[illegible],067	8,425	1,141	85,188
10. Real Property	8,029	5,503	8,659	2,163	29,722	25,725	1,780	9,374	18,8[illegible]	19,326	5,096	134,195
11. Equipment	2,056	2,049	7,538	552	2,776	4,337	1,272	97[illegible]	[illegible],401	3,276	2,158	30,090
12. Others	4,246	2,450	2,513	1,070	3,087	3,190	2,181	42[illegible]	[illegible],617	13,013	3,559	40,352
13. National Projects	873	-	35	-	711	-	205	[illegible]	-	-	-	1,824
Total Expenditures	75,080	109,151	101,563	34,075	174,787	202,462	34,80[illegible]	[illegible]16	93,047	118,114	46,258	1,037,354

Appendix Table 3

CONSOLIDATED INCOME AND EXPENDITURES OF PROVINCES BY REGION
Calendar Year, 1981
(In Thousand Pesos)

	Rs-I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
INCOME													
1. Real Property Tax	12,459	5,796	26,021	42,486	6,385	18,919	6,214	4,144	2,792	9,517	11,243	5,299	151,275
2. Local Taxes	2,665	2,556	8,907	10,089	2,959	2,000	1,120	1,215	1,162	1,626	3,624	1,879	39,802
3. Operating and Service Income	222	505	1,911	558	112	294	222	145	126	200	81	281	4,347
4. Government Business Operations	2,056	5,696	15,601	8,567	1,996	7,019	11,833	465	2,232	9,755	4,121	3,238	72,579
5. BIR Allotments	46,550	35,772	51,309	68,123	41,634	45,623	35,634	36,541	24,075	30,322	37,843	29,070	482,496
6. Loans and Borrowings	2,550	4,428	337	3,129	1,971	1,795	5,234	138	3,034	332	2,717	2,436	28,101
7. National Aids	16,401	17,734	34,677	36,464	15,207	19,532	23,345	10,534	6,320	12,856	10,932	7,614	211,616
8. Others	17,370	11,784	37,045	129,113	22,117	22,219	7,715	6,752	12,576	7,662	31,536	5,961	311,850
Total Income	100,273	84,361	175,408	298,529	92,381	117,401	91,317	59,934	52,317	72,270	102,097	55,778	1,302,066
EXPENDITURES													
1. General Administration	12,798	12,572	19,559	22,556	10,440	12,185	9,705	7,344	7,486	8,758	10,081	9,333	142,817
2. Government Finance	7,820	6,678	10,847	14,554	9,719	10,059	7,314	6,395	4,879	7,341	10,196	7,008	102,810
3. Adjudication	1,592	1,210	1,925	3,743	1,496	2,480	1,541	1,667	785	1,374	1,810	1,031	20,454
4. Protective Service	4,649	3,267	9,047	9,798	3,412	4,322	3,477	2,156	2,336	2,932	4,071	1,790	51,257
5. Social Improvement	4,609	4,014	20,738	26,902	6,086	14,777	4,257	4,259	1,896	2,361	7,324	1,980	99,202
6. Economic Development	37,483	37,368	46,985	62,557	33,739	34,675	25,272	22,371	19,167	31,296	31,048	22,181	404,142
7. Operation of Eco. Enterprises	922	669	4,192	11,126	361	459	5,529	1,230	261	3,620	620	663	29,652
8. Inter-Government Aids	1,537	1,505	2,865	8,184	943	4,348	999	1,529	263	1,499	2,132	728	26,529
9. Loans, Advances and Transfers	2,616	7,994	22,661	16,612	20,745	7,517	3,263	4,702	2,971	4,322	12,167	2,880	101,456
10. Real Property	2,263	7,318	19,708	14,581	11,725	19,634	15,185	1,251	493	1,089	17,644	1,587	112,479
11. Equipment	331	605	3,152	7,009	3,945	1,502	2,603	1,667	3,284	2,033	4,273	2,720	33,124
12. Others	89	226	461	12,535	1,717	2,148	3,998	226	5,764	3,088	602	1,774	32,628
13. National Projects	537	-	359	-	92	-	-	-	-	121	32	-	1,140
Total Expenditures	77,245	83,426	162,499	210,157	97,424	114,106	83,143	54,797	49,585	69,634	102,000	53,675	1,157,691

Appendix Table 4

CONSOLIDATED INCOME AND EXPENDITURES OF MUNICIPALITIES COMBINED BY REGION
Calendar Year 1981
(In Thousand Pesos)

	R-1	R-2	R-3	R-4	R-5	R-6	R-7	R-8	R-9	R-10	R-11	R-12	Total
INCOME													
1. Real Property Tax	14,487	7,064	27,118	39,176	7,815	23,586	6,598	4,620	3,320	11,502	14,930	5,908	166,364
2. Local Taxes (Bus. Taxes)	11,615	11,539	26,166	32,099	10,728	10,465	6,303	5,402	5,628	8,414	13,422	6,363	149,142
3. Operating & Service Income	4,428	2,641	6,486	12,386	2,436	2,517	2,554	2,532	2,508	3,332	2,882	[illegible]	46,117
4. Government Business Operations	22,362	12,706	33,930	34,247	10,005	19,531	8,971	5,118	8,390	9,199	24,356	7,731	199,128
5. BIR Allotments	31,770	30,873	53,336	56,445	38,770	49,699	38,714	38,949	22,967	33,333	36,635	29,033	503,458
6. Loans and Borrowings	980	2,557	2,957	2,973	372	4,477	660	477	338	396	1,044	60	16,883
7. National Aids	6,240	4,002	8,931	12,307	1,943	3,848	3,965	4,922	6,780	7,452	3,393	2,160	64,340
8. Others	15,641	10,366	25,893	32,658	5,759	14,909	7,116	4,833	7,445	7,650	15,843	5,875	154,289
Total Income	128,423	89,760	182,817	232,292	77,825	129,730	74,771	67,616	59,964	80,662	105,575	58,815	1,387,651
EXPENDITURES													
1. General Administration	30,384	23,046	42,872	57,246	22,779	30,083	16,897	14,669	15,008	19,480	19,688	12,292	304,644
2. Government Finance	20,181	15,291	22,423	34,487	14,743	17,361	13,334	11,014	10,460	14,176	16,923	10,41[illegible]	201,538
3. Adjudication	598	262	2,345	926	192	[illegible]	140	644	247	198	795	[illegible]	6,771
4. Protective Service	1,591	1,516	4,926	4,209	997	2,199	301	659	684	563	2,570	293	20,516
5. Social Improvement	9,318	9,441	28,193	17,471	4,773	16,372	8,294	7,968	5,398	9,999	[illegible]	4,946	131,732
6. Economic Development	17,705	9,938	14,230	18,569	8,574	9,004	6,930	7,475	7,666	10,056	[illegible]081	10,227	136,675
7. Operation of Eco. Enterprises	12,292	8,387	24,315	25,200	5,139	15,711	7,211	6,315	3,606	4,8[illegible]	7,159	6,068	126,279
8. Inter-government Aids	9,528	5,267	10,[illegible]	20,232	4,506	8,[illegible]	5,062	4,298	2,699	[illegible]	7,772	3,774	84,622
9. Loans, Advances & Transfers	10,488	5,485	16,582	26,042	5,541	18,491	6,397	4,609	3,487	[illegible],605	10,598	5,104	115,429
10. Real Property	5,989	9,975	7,705	12,[illegible]	2,445	8,[illegible]	3,047	3,823	3,[illegible]	3,673	8,460	2,090	73,051
11. Equipment	2,[illegible]	1,873	4,854	7,375	1,707	1,353	840	565	[illegible]84	1,177	2,879	967	27,044
12. Others	1,[illegible]44	862	3,271	2,602	1,012	1,757	844	1,0[illegible]	[illegible],837	1,218	2,012	401	19,738
13. National Projects	46	-	407	-	367	39	1	[illegible]	604	-	-	23	1,832
Total Expenditures	122,845	91,343	182,336	229,047	73,765	129,061	77,[illegible]98	[illegible],265	56,847	76,019	104,704	56,671	1,252,30[illegible]

Appendix Table 5

TAXES, FEES, AND CHARGES AVAILABLE TO LOCAL GOVERNMENTS

Local Government	Taxes, Fees, and Charges
Provincial Governments	Real Property Tax Real Property Transfer Tax Tax on Printing and Publication Business Franchise Tax Sand Gravel Tax Taxes on Occupations, Amusement Admissions, and Fees for Ceiling and Licensing Weights and Measures, each of which is imposed by the National Government with revenues transferred to the province Peddler's tax Tax on Delivery Trucks or Vans Rental Fees for Using Municipal Waters, Rivers, etc. as Log Ponds
Municipal Governments	Real Property Tax Business Taxes Fees or Charges on numerous activities including parades, large cattle registration, building permits, dog licenses, etc. Fishery Rentals or Fees
City Governments	Cities can utilize any of the taxes listed above for either provinces or municipalities (recall that cities, in essence, enjoy the dual functions of provinces and municipalities

Appendix Table 5
(Continued)

Local Government	Taxes, Fees, and Charges
Barangays	Taxes or fees on stores or retailers with fixed capital investment of ₱5,000 or less, billboards and signs, game-cocks owned by barangay residents and cockfights Charges for services of barangay-owned properties or service facilities. Contributions.

Source: A. Yoingco and V. Quintos, Philippine Tax System Under the New Society (Manila: GIC Enterprises, 1979).

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